

Attachment to OMHAR - Housing MOU

Summary of Differences in Technical Processing Between OMHAR and Housing

<u>ISSUE</u>	<u>COMMENTS</u>	<u>REFERENCE</u>
Debt Service Coverage Ratio	Higher in M2M full debt restructurings, due to higher expense ratios (lower margins in terms of absolute \$'s).	OPGuide, §5-5.C
Loan to Value restriction	100% maximum for M2M, not relevant for normal 223(a)(7).	OPGuide, §5-5.C
Maximum Principal Amount for 223(a)(7)	M2M maximum more restrictive for full debt restructurings.	Regs: 401.460(a)
Transaction Costs	Owner has to pay 50% out of pocket for M2M transactions.	OPGuide, §5-5.C
Other technical differences between M2M and normal 223(a)(7)	See “223(a)(7) Underwriting Standards Comparison” matrix	Attached
Rehab Financing	Owner has to pay 20% of cost out of pocket for M2M transactions.	OPGuide, §5-3.H.7 MAHRA, §517(b)(7)(B)
Financial Return to Owner	Limited (by statute) to 25% of Cash Flow for M2M.	OPGuide, §5-5.I. MAHRA, §517(a)(3)
Asset Management Fee	Allowed for M2M, however will require waiver of Asset Mgt HB's, and thus being reconsidered.	OPGuide, §5-5.M.
Preference for Priority Purchasers when a TPA for a 'bad owner'	Required by statute.	MAHRA, §516(e) Regs, §401.480 OPGuide, §3-7.C.
Environmental Evaluation	Required for M2M.	OPGuide, §4-5.K
Authority to Issue FHA Mortgage Insurance Commitment	OMHAR Regional Director -vs- MF Hub/Program Center Director	Delegations.
Determination of Rents when no Comparable Properties	Generally consistent, but Housing policy may evolve, M2M policy specified in statute and Regs.	OPGuide, §4-4.F.3., Appendix N Regs, §401.410
Categorization of Operating Expenses	No substantive difference, but M2M uses 'base', 'controllable', and 'other' for presentation purposes.	OPGuide, Appendix A, #5.
Property Management Fee	Housing sets area wide ceiling, M2M requires property by property evaluation. (Generally expect fees to be lowered by about 25%).	OPGuide, Appendix A, #9.
Reserve for Replacement standards	M2M requires major building systems and longer term to be built into the analysis.	OPGuide, Appendix O.
Second Mortgage	Required for M2M by statute; unlike an FHA and M2M first mortgage, it is analyzed on a pro forma basis.	OPGuide, Appendix D., Form 4.7, Section G.

Summary of Significant Points of Coordination Between OMHAR and Housing

<u>ISSUE</u>	<u>COMMENTS</u>	<u>REFERENCE</u>
Neighborhood Network Centers	May be funded as part of a M2M, requires Housing approval of Business Plan.	OPGuide, §3-9.B.5
HUD's Asset Management Records	PAE required to review.	OPGuide, §4-5.C. Appendix D, Form 4.9, 4.10
Processing of 2530 - Previous Participation Certification	PAE requests Housing processes. Need to coordinate if problems.	OPGuide, §4-4.E.
FHA Loan Application Log-In	MF Hub/Program Center assigns FHA project number upon request by OMHAR	OPGuide, §6-3.B.2.
FHA Mortgage Insurance - 221(d)(4) or 223(f)	Housing processes, issues Commitments. PAE must coordinate. Encouraged to share analysis and avoid duplication.	OPGuide, §5-3.D.
FHA Mortgage Insurance - 223(a)(7)	PAE processes, OMHAR reviews/re-underwrites, issues Commitments. Certifications of consistency with FHA requirements.	OPGuide, §5-3.D
Closings - Restructuring/PPC's and Takeout Financing	PAE coordinates. See Matrix page 7-7 of OPGuide for details.	OPGuide, §7-3.
Section 8 Contract Renewal processing	Numerous points of coordination between MF Hub/Program Center and PAE. MF Hub/Program Center retains Contract Administration responsibility until restructuring closed.	OPGuide, §1-3, 1-4, 10-3, 10-4.
Compliance with HUD Guidelines	PAE advises MF Hub/Program Center if problems w/Ownership (e.g. unauthorized TPA).	OPGuide, §5-3.E.2